

Maplex Management & Holdings Limited

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

for the six months ended June 30, 1978

INCOME

	1978	1977
Premiums earned, net	\$3,644,064	\$3,367,240
Income from investments	470,606	327,603
Gain on sale of securities	294,624	343,989
Other income	32,155	26,930
	<u>4,441,449</u>	<u>4,065,762</u>

EXPENSES

Claims	2,220,783	2,024,457
Commissions	761,705	676,263
Salaries	260,439	246,888
Other	513,950	475,685
	<u>3,756,877</u>	<u>3,423,293</u>

Earnings before undernoted items

684,572

Reduction in provision for increase (decrease)
in market value of marketable securities

35,660

8,493

720,232

650,962

Provision for income taxes

145,000

70,000

575,232

580,962

Minority interests share of earnings

61,190

5,000

Net Earnings

\$ 514,042

\$ 575,962

Earnings per share

\$ 1.17

\$ 1.31

MAPLEX

MANAGEMENT &
HOLDINGS
LIMITED6-month
report to
shareholders

June 30, 1978

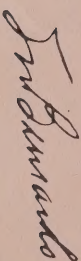
Consolidated earnings before taxes and minority interests of \$720,232 (\$650,962) for the six month period increased by 10.6% (over last year). However, an increase in the provision for income taxes and minority interests due to dividends payable on the new Abstainers' Insurance Co. 10% Preferred issue reduced consolidated earnings on Maplex common shares to \$514,042 (\$575,962) or \$1.17 (\$1.31) per share.

In spite of extreme competition within the industry, Abstainers' continued to write almost as much new business as last year, but reduced rates resulting in smaller average premiums caused a decline in premium growth to 5% from the 30% level experienced in the first six months of last year, and 14% for the whole of 1977. This is probably typical for the industry as a whole except for those companies operating in the Province of Quebec where substantial amounts of premium income are being lost to the new Government of Quebec automobile insurance plan.

Non-Smokers Property and Automobile policies offered by your new wholly owned subsidiary, Maplex General Insurance Company, are being well received in the market place. Over 70 general insurance agents have been appointed in Ontario to date and premium income is growing monthly towards the \$250,000 expected for 1978. A license has been requested for the Province of Alberta where the associate company, Abstainers' Insurance Company, has been operating since 1962. At the present time, all business is being conducted from the Burlington, Ont. headquarters of Abstainers' Insurance Company with Abstainers' staff, to minimize expenses during the early stages of the company's development.

Your Management believes there is a real potential in this class of business as over 50% of the adult population in Canada are non-smokers. The case for a rate differential in property insurance is well documented as it is generally accepted that over 20% of fire claims are due to careless smoking and matches. With automobile insurance however, the case for a rate differential has not been documented, but the smoking hazard remains for physical damage to vehicles, and drivers have been known to drop a cigarette and lose control in the process of retrieving it. In the U.S.A., at least two companies have been giving reductions to non-smokers successfully for several years.

S. R. Bernardo, President



Maplex Management & Holdings Limited

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (UNAUDITED)

	6 months ended June 30, 1978 1977	
Funds derived from		
Net earnings	\$ 514,042	\$ 575,962
Funds applied to*		
Dividends paid	32,939	28,547
Increase in net assets for the period	<u>\$ 481,103</u>	<u>\$ 547,415</u>

*For the purpose of this statement funds have been defined as net assets of the company.